

TOWN OF FRAMINGHAM, MASSACHUSETTS

Financial Statements

For the Year Ended June 30, 1999

(With Independent Auditors' Report Thereon)

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INDEPENDENT AUDITORS' REPORT

To the Board of Selectmen
Town of Framingham, Massachusetts

We have audited the accompanying general purpose financial statements of the Town of Framingham, Massachusetts, as of and for the year ended June 30, 1999 (December 31, 1998 for the Contributory Retirement System), as listed in the table of contents. These general purpose financial statements are the responsibility of the Town's management. Our responsibility is to express an opinion on these general purpose financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

The Town prepares its general purpose financial statements using accounting principles which are in conformity with the Uniform Municipal Accounting System promulgated by the Commonwealth of Massachusetts Department of Revenue. These accounting principles differ in certain respects from generally accepted accounting principles, primarily in the areas of accounting for fixed assets and recording of the expense and liability related to compensated absences. The effects of these differences on the accompanying general purpose financial statements have not been quantified.

The Town has established a separate Ice Arena Enterprise Fund. However, certain assets, such as inventories of supplies and fixed assets, and certain expenses, such as depreciation, have not been recorded as required by generally accepted accounting principles for enterprise funds. The Town has also established separate

Water and Sewer Enterprise Funds. However, certain assets, such as inventory and capital projects, and certain accrued liabilities, such as compensated absences, have not been recorded as required by generally accepted accounting principles for enterprise funds.

In our opinion, except for the effects of the items described in the third and fourth paragraphs, the general purpose financial statements referred to above present fairly, in all material respects, the financial position of the Town of Framingham, Massachusetts, as of June 30, 1999 (and December 31, 1998 for the Contributory Retirement System), and the results of its operations and cash flows of its proprietary fund types for the year(s) then ended in conformity with generally accepted accounting principles.

The supplementary schedules presented on pages 31 and 32 are presented for the purpose of additional analysis and are a not required part of the general purpose financial statements. The information in those schedules has been subjected to the auditing procedures applied in the audit of the general purpose financial statements and, in our opinion, is fairly presented in all material respects in relation to the general purpose financial statements taken as a whole.

The year 2000 supplementary information on page 33 and the supplementary pension information on page 34 are not required parts of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and do not express an opinion on it. In addition, we do not provide assurance that the Town is or will become year 2000 compliant, that the Town's year 2000 remediation efforts will be successful in whole or in part, or that parties with which the Town does business are or will become year 2000 compliant.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 12, 1999 on our consideration of the Town's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants.

Melanson, Heath & Company, P.C.

Greenfield, Massachusetts
November 12, 1999

TOWN OF FRAMINGHAM, MASSACHUSETTS

Combined Balance Sheet -
All Fund Types and Account Group

June 30, 1999

(December 31, 1998 for the Contributory Retirement System)

ASSETS	Governmental Fund Types			Proprietary Fund Types		Fiduciary Fund Types Trust and Agency	Account Group General Long-Term Debt	Totals (Memorandum Only)	Contributory Retirement System as of 12/31/98
	General	Special Revenue	Capital Projects	Enterprise	Internal Service				
Cash and cash equivalents	\$ 10,635,502	\$ 3,814,621	\$ 307,367	\$ 4,395,332	\$ 2,710,167	\$ 5,975,082	\$ -	\$ 27,828,071	\$ 2,553,943
Investments	-	-	-	-	-	2,166,561	-	2,166,561	124,179,612
Receivables:									
Property taxes	2,001,621	-	-	-	-	-	-	2,001,621	-
Tax liens and foreclosures	3,548,435	-	-	700,484	-	-	-	4,248,919	-
Excises	1,391,222	-	-	-	-	-	-	1,391,222	-
Utility, net	-	-	-	5,986,404	-	-	-	5,986,404	-
Other receivables	12,449	156,558	-	-	-	-	-	169,007	-
Due from other governments	-	998,299	-	-	-	-	-	998,299	-
Other assets	-	-	-	-	-	3,790,406	-	3,790,406	-
Fixed assets, net	-	-	-	34,603,328	-	-	-	34,603,328	-
Construction in progress	-	-	-	1,078,422	-	-	-	1,078,422	-
Amount to be provided for the retirement of general long-term debt	-	-	-	-	-	-	31,913,832	31,913,832	-
Amount to be provided by Commonwealth	-	-	-	-	-	-	20,445,300	20,445,300	-
Total Assets	\$ 17,589,229	\$ 4,969,478	\$ 307,367	\$ 46,753,970	\$ 2,710,167	\$ 11,932,049	\$ 52,359,132	\$ 136,621,392	\$ 126,733,555
LIABILITIES AND FUND EQUITY									
Liabilities:									
Warrants payable	\$ 1,288,259	\$ 534,162	\$ 924,361	\$ 199,607	\$ -	\$ 6,694	\$ -	\$ 2,953,083	\$ -
Accounts payable	-	-	-	-	-	31,126	-	31,126	18,713
Deferred revenue	6,941,279	9,463	-	-	-	-	-	6,950,742	3,472,989
Accrued payroll and withholdings	4,431,201	265,649	-	21,645	-	-	-	4,718,495	-
Due to other governments	61,241	-	-	-	-	-	-	61,241	-
Other liabilities	292,454	-	-	179,967	-	420,542	-	892,963	-
Deposits held	-	-	-	16,650	-	5,309,414	-	5,326,064	-
Tax refund reserve	1,159,095	-	-	-	-	-	-	1,159,095	-
Bonds payable	-	-	-	1,511,176	-	-	52,198,000	53,709,176	-
Capital lease obligations	-	-	-	-	-	-	161,132	161,132	-
Accrued claims liability	-	-	-	-	4,043,154	-	-	4,043,154	-
Total Liabilities	14,173,529	809,274	924,361	1,929,045	4,043,154	5,767,776	52,359,132	80,006,271	3,491,702
Fund Equity:									
Contributed capital	-	-	-	27,050,536	-	-	-	27,050,536	-
Retained earnings	-	-	-	14,607,060	(1,332,987)	-	-	13,274,073	-
Fund balance:									
Reserved for retirement	-	-	-	-	-	-	-	-	123,241,853
Reserved for encumbrances	640,398	-	-	2,475,252	-	-	-	3,115,650	-
Reserved for expenditures	2,081,472	-	-	692,077	-	-	-	2,773,549	-
Reserved for endowments	-	-	-	-	-	-	-	387,581	-
Unreserved, undesignated	693,830	4,160,204	(616,994)	-	-	387,581	-	10,013,732	-
Total Fund Equity	3,415,700	4,160,204	(616,994)	44,824,925	(1,332,987)	6,164,273	-	56,615,121	123,241,853
Total Liabilities and Fund Equity	\$ 17,589,229	\$ 4,969,478	\$ 307,367	\$ 46,753,970	\$ 2,710,167	\$ 11,932,049	\$ 52,359,132	\$ 136,621,392	\$ 126,733,555

See accompanying notes to financial statements.

TOWN OF FRAMINGHAM, MASSACHUSETTS

Combined Statement of Revenues, Expenditures, and
Changes in Fund Equity
All Governmental Fund Types and Expendable Trust Funds

For the Year Ended June 30, 1999

	Governmental Fund Types			Fiduciary Fund Types	Totals
	General	Special Revenue	Capital Projects	Expendable Trust	Memorandum Only
Revenues:					
Property taxes	\$ 87,842,470	\$ -	\$ -	\$ -	\$ 87,842,470
Excise	5,665,828	-	-	-	5,665,828
Penalties, interest and other taxes	2,081,728	-	-	-	2,081,728
Intergovernmental	19,384,877	10,443,870	661,640	-	30,490,387
Charges for services	4,977,612	4,320,949	-	149,521	9,448,082
Investment income	1,045,857	2,716	-	488,975	1,517,548
Licenses and permits	492,539	-	-	-	492,539
Fines and forfeitures	423,439	-	-	-	423,439
Miscellaneous	275,563	105,518	101,257	12,182	494,520
Contributions	-	215,857	-	62,340	278,197
Total Revenues	122,189,913	15,088,910	762,897	693,018	138,734,738
Expenditures:					
Current:					
General government	5,695,198	1,583,710	10,590,261	1,746	17,870,915
Public safety	16,691,264	2,023,476	46,891	41,945	18,803,576
Education	61,677,133	7,301,686	48,236	-	69,027,055
Public works	7,352,351	2,856,358	176,456	182,520	10,567,685
Human services	899,396	114,054	-	-	1,013,450
Culture and recreation	3,034,149	473,621	60,648	44,158	3,612,576
Employee benefits	20,259,104	-	-	-	20,259,104
Debt service	5,698,364	-	-	-	5,698,364
Intergovernmental	1,754,028	-	-	-	1,754,028
Total Expenditures	123,060,987	14,352,905	10,922,492	270,369	148,606,753
Excess (deficiency) of revenues over expenditures	(871,074)	736,005	(10,159,595)	422,649	(9,872,015)
Other Financing Sources (Uses):					
Operating transfers in	1,202,734	25,000	1,498	-	1,229,232
Operating transfers (out)	(26,498)	(266,892)	-	(935,842)	(1,229,232)
Bond proceeds	-	-	20,043,000	-	20,043,000
Total Other Financing Sources (Uses)	1,176,236	(241,892)	20,044,498	(935,842)	20,043,000
Excess (deficiency) of revenues and other sources over expenditures and other uses	305,162	494,113	9,884,903	(513,193)	10,170,985
Fund Balance, July 1, 1998, restated	3,110,538	3,666,091	(10,501,897)	6,289,885	2,564,617
Fund Balance, June 30, 1999	3,415,700	4,160,204	(616,994)	5,776,692	12,735,602

See accompanying notes to financial statements.

TOWN OF FRAMINGHAM, MASSACHUSETTS

Statement of Revenues and Other Sources,
and Expenditures and Other Uses
Budget and Actual - General Fund

For the Year Ended June 30, 1999

	Budget	Actual	Variance Favorable (Unfavorable)
Revenues and Other Sources:			
Property taxes	\$ 86,917,417	\$ 86,917,417	\$ -
Excise	6,150,341	5,665,828	(484,513)
Penalties, interest and other taxes	1,693,152	2,081,728	388,576
Charges for services	4,908,556	4,977,612	69,056
Intergovernmental	19,228,070	19,384,877	156,807
Licenses and permits	552,169	492,539	(59,630)
Fines and forfeitures	454,436	423,439	(30,997)
Interest	1,337,897	1,045,857	(292,040)
Miscellaneous	287,094	275,563	(11,531)
Transfers in	1,204,842	1,202,734	(2,108)
Other sources	1,898,682	1,898,682	-
Total Revenues and Other Sources	<u>124,632,656</u>	<u>124,366,276</u>	<u>(266,380)</u>
Expenditures and Other Uses:			
General government	6,106,940	5,720,545	386,395
Public safety	16,983,872	16,695,194	288,678
Education	61,680,092	61,657,718	22,374
Public works	7,371,082	7,240,257	130,825
Human services	971,208	899,248	71,960
Culture and recreation	3,048,674	3,027,221	21,453
Employee benefits	20,356,513	20,298,076	58,437
Debt service	6,094,069	5,944,140	149,929
Intergovernmental	1,739,084	1,883,217	(144,133)
Transfers out	26,498	26,498	-
Other uses	254,624	254,624	-
Total Expenditures and Other Uses	<u>124,632,656</u>	<u>123,646,738</u>	<u>985,918</u>
Excess (deficiency) of revenues and other sources over expenditures and other uses	\$ <u>-</u>	\$ <u>719,538</u>	\$ <u>719,538</u>

See accompanying notes to financial statements.

TOWN OF FRAMINGHAM, MASSACHUSETTS

Statement of Revenues, Expenses and
Changes in Fund Equity - All Proprietary Fund
Types and Similar Trust Funds

For the Year Ended June 30, 1999
(December 31, 1998 for the Contributory Retirement System)

	Proprietary Fund Types	
	Enterprise	Internal Service
Operating Revenues:		
Charges for services	\$ 15,558,509	\$ -
Miscellaneous	-	112,784
Contributions	-	15,940,440
Total Operating Revenue	15,558,509	16,053,224
Operating Expenses:		
Salary and wages	2,032,661	-
Operating expenses	1,082,863	-
Materials and supplies	135,334	-
Depreciation	1,083,013	-
Intergovernmental	10,461,911	-
Indirect costs	1,195,626	-
Benefits paid	-	14,014,395
Total Operating Expenses	15,991,408	14,014,395
Operating income (loss)	(432,899)	2,038,829
Nonoperating Income (Expense):		
Net investment income	79,693	51,361
Grant revenue	708,600	-
Contributions	1,364,100	-
Interest expense	(285,890)	-
Loss on disposition of fixed assets	(44,988)	-
Total Nonoperating Income (Expense)	1,821,515	51,361
Net income (loss)	1,388,616	2,090,190
Depreciation on assets required with contributed capital	742,696	-
Increase (decrease) in retained earnings/fund equity	2,131,312	2,090,190
Fund Equity, beginning of year, restated	15,643,077	(3,423,177)
Fund Equity, end of year	\$ 17,774,389	\$ (1,332,987)

See accompanying notes to financial statements.

TOWN OF FRAMINGHAM, MASSACHUSETTS

Statement of Changes in Plan Net Assets
Pension Trust Fund

Year Ended December 31, 1998

Additions:

Contributions:

Employers	\$ 6,800,840
Plan Members	3,101,184
Reimbursements from Federal Grants	42,470
Reimbursements from Commonwealth of Massachusetts	902,411
Reimbursements from other systems	164,220
Total contributions	<u>11,011,125</u>

Investment Income:

Interest and dividends	20,765,272
Less: management fees	(217,308)
Net investment income	<u>20,547,964</u>

Total additions 31,559,089

Deductions:

Benefit payments to plan members and beneficiaries	10,194,039
Reimbursements to other systems	163,239
Refunds and transfers of plan member accounts to other system	414,950
Administrative expenses	158,308
Total deductions	<u>10,930,536</u>

Net increase (decrease) 20,628,553

Net assets held in trust for pension benefits:

Beginning of year	<u>102,613,300</u>
End of year	<u>\$ 123,241,853</u>

See accompanying notes to general purpose financial statements.

TOWN OF FRAMINGHAM, MASSACHUSETTS

Statement of Cash Flows
All Proprietary Fund Types

For the Year Ended June 30, 1999

	Proprietary Fund Types	
	Enterprise	Internal Service
Cash Flows From Operating Activities:		
Operating income (loss)	\$ (432,899)	\$ 2,038,829
Adjustments to reconcile operating income to net cash:		
Provided for operating activities:		
Depreciation	1,083,013	-
(Increase) decrease in current assets:		
Accounts and notes receivable, net	(4,325)	-
Increase (decrease) in current liabilities:		
Warrants payable	(51,116)	-
Accrued claims liability	-	(355,919)
Refunds payable	(45,008)	-
Accrued payroll	270	-
Net cash provided from operating activities	549,935	1,682,910
Cash Flows for Investing Activities:		
Contribution income	1,364,100	-
Investment income	79,693	51,361
Grant income	708,600	
Interest expense	(285,890)	
Net cash provided from investing activities	1,866,503	51,361
Cash Flows for Capital and Related Financing Activities:		
Purchase of property, plant and equipment	(3,845,476)	-
Principal repayments	(390,114)	-
Net cash used for capital and related financing activities	(4,235,590)	-
Net increase (decrease) in cash	(1,819,152)	1,734,271
Cash and cash equivalents, July 1, 1998	6,204,484	975,896
Cash and cash equivalents, June 30, 1999	\$ 4,385,332	\$ 2,710,167

See accompanying notes to financial statements.

Town of Framingham, Massachusetts
Notes to General Purpose Financial Statements

1. Summary of Significant Accounting Policies

The accounting policies of the Town of Framingham (the Town) conform to generally accepted accounting principles (GAAP) as applicable to governmental units, except as indicated in Note 2. The following is a summary of the more significant policies:

A. Reporting Entity

The government is a municipal corporation governed by an elected Board of Selectmen. As required by generally accepted accounting principles, these financial statements present the government and applicable component units for which the government is considered to be financially accountable. In fiscal year 1999, it was determined that no entities met the required GASB-14 criteria of component units.

B. Basis of Presentation - Fund Accounting

For reporting purposes, the financial activities of the Town are accounted for through the use of several funds and account groups. Each fund is a separate accounting entity with self-balancing accounts. The following types of funds and account groups are used by the Town:

Governmental Fund Types

Governmental funds are those through which most governmental functions of the Town are financed. The acquisition, use and balances of the Town's expendable financial resources and the related liabilities (except those accounted for in fiduciary and proprietary funds) are accounted for through governmental funds. The measurement focus is based upon determination of changes in financial position, rather than upon net income determination. The following are the Town's governmental fund types:

General Fund - To account for all financial activities of the Town, except those required to be accounted for in another fund. Most revenues and expenditures of a general governmental nature are accounted for in this fund.

Special Revenue Funds - To account for the proceeds of specific revenue sources (other than expendable trusts or for major capital projects) that are legally restricted to expenditures for special purposes.

Capital Project Funds - Transactions related to resources obtained and used for the acquisition, construction, or improvement of major capital facilities are accounted for in capital project funds. Such resources are derived principally from proceeds of general obligation bond issues and from Federal and State grants.

Proprietary Fund Types

Proprietary funds are used to account for the Town's ongoing organizations and activities which are similar to those often found in the private sector. The measurement focus is upon determination of net income. The following are the Town's proprietary fund types:

Enterprise Funds - To account for operations which are supported primarily by user charges.

Internal Service Funds - To account for goods or services provided by one Town department or agency to other Town departments or agencies. The Town accounts for its self-insured health insurance fund and vehicle management fund as internal service funds.

Fiduciary Fund Types

Fiduciary funds are used to account for assets held by the Town in a trustee capacity. The Town maintains the following fiduciary fund types:

Expendable Trust Funds - These funds are accounted for in essentially the same manner as governmental funds.

Nonexpendable Trust Funds - These funds are used to account for assets held by the Town in a trustee capacity. The principal balance cannot be spent; however, investment earnings may be spent for intended purposes.

Agency Funds - These funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations.

Pension Trust Fund - This fund is used to account for the accumulation of assets used to fund current and future pension benefits.

Account Groups

Account groups are used to establish accounting control and accountability for the Town's general long-term obligations. The following account group is maintained by the Town.

General Long-Term Debt Account Group - This account group is used to account for all long-term obligations of the Town, except for debt issued through proprietary funds.

C. Basis of Accounting

The basis of accounting used for each fund is as follows:

Modified Accrual Basis (Governmental, Expendable Trust and Agency Funds)

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. All governmental and expendable trust funds are accounted for using a current financial resources measurement focus. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. Operating statements of these funds present increases (i.e., revenues and other financing sources) and decreases (i.e., expenditures and other financing uses) in net current assets.

The modified accrual basis of accounting is applied in all governmental, expendable trust and agency fund types. Accordingly, revenues are recorded when susceptible to accrual, that is, both measurable and available to finance expenditures of the current period. Available means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. The Town considers property tax revenue available if received within 60 days after the close of the fiscal year. All other amounts not received during that period are deferred and recognized in future accounting periods.

In applying the susceptible to accrual concept to intergovernmental revenues, the legal and contractual requirements of the numerous individual programs are used as guidance. There are essentially two types of these revenues: (1) revenues recognized based upon the expenditures recorded, and (2) revenues recognized at the time of receipt or earlier, if the susceptible to accrual criteria is met.

Other revenues (except investment earnings) are recorded as revenues when received in cash because they are generally not measurable until actually received. Investment earnings are recorded as earned since they are measurable and available.

Expenditures, except for interest on long-term debt which is recorded when due, and vacation, sick and pension costs because these amounts are not expected to be relieved within the current accounting period, are recorded when the related fund liability is incurred.

Accrual Basis (Proprietary and Nonexpendable Trust Funds)

All proprietary and nonexpendable trust funds are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and liabilities associated with the operation of these funds are included on the balance sheet. Fund equity (i.e., net total assets) is segre-

gated into contributed capital and retained earnings components. Proprietary fund type operating statements present increases (e.g., revenues) and decreases (e.g., expenses) in net total assets.

The accrual basis of accounting is used by proprietary and nonexpendable trust funds. Their revenues are recognized when they are earned, and their expenses are recognized when they are incurred. The Town has elected to apply to these funds accounting principles applicable to the private sector issued through November 30, 1989, unless those principles conflict with or contradict pronouncements of the Governmental Accounting Standards Board.

D. Cash and Cash Equivalents

Cash balances from all funds, except those required to be segregated by law, are combined to form a consolidation of cash. Cash balances are invested to the extent available, and interest earnings are recognized in the General Fund. Certain special revenue funds and fiduciary funds segregate cash, and investment earnings become a part of those funds.

Deposits with financial institutions consist primarily of demand deposits, certificates of deposits, and savings accounts. The Town maintains a cash and investment pool that is available for use by all funds. Each fund's portion of this pool is reflected on the combined financial statements under the caption "cash and cash equivalents". The interest earnings attributable to each fund type is included under earnings on investments.

For purpose of the statement of cash flows, the proprietary funds consider investments with original maturities of three months or less to be cash equivalents.

E. Investments

State and local statutes place certain limitations on the nature of deposits and investment available to the Town. Deposits in any financial institution may not exceed certain levels within the financial institution. Non-fiduciary fund investments can be made in securities issued by or unconditionally guaranteed by the U.S. Government or agencies that have a maturity of less than one year from the date of purchase and repurchase agreements guaranteed by such securities with maturity dates of no more than 90 days from the date of purchase. All Town investments are recorded at fair market value.

F. Property Tax Limitations

Legislation known as "Proposition 2 1/2" limits the amount of revenue the Town can derive from property taxes. The prior fiscal year's tax levy limit is used as a base and cannot increase by more than 2.5 percent (exclud-

ing new growth), unless an override or debt exemption is voted. The actual fiscal year 1999 tax levy reflected an excess capacity of \$ 5,073.

G. Fixed Assets

Property, plant and equipment in the proprietary funds of the government are recorded at cost. Property, plant and equipment donated to these proprietary fund type operations are recorded at their estimated fair value at the date of donation.

Major outlays for capital assets and improvements are capitalized in proprietary funds as projects are constructed. Interest incurred during the construction phase of proprietary fund fixed assets is reflected in the capitalized value of the asset constructed, net of interest earned on the invested proceeds over the same period.

Property, plant and equipment are depreciated in the proprietary and similar trust funds of the government using the straight-line method over the following estimated useful lives:

<u>Enterprise Fund</u>	<u>Years</u>
Buildings	25 - 50
Infrastructure	30 - 100
Equipment	10 - 25
Vehicles	6

H. Long-Term Obligations

The government reports long-term debt of governmental funds at face value in the general long-term debt account group. Long-term debt and other obligations financed by proprietary funds are reported as liabilities in the appropriate funds.

I. Fund Equity

Reservations of fund balance represent amounts that are not appropriable or are legally segregated for a specific purpose. The proprietary fund's contributed capital represents equity acquired through capital grants and capital contributions from developers, customers, or other funds.

J. Encumbrance Accounting and Reporting

Encumbrance accounting is employed in governmental funds. Encumbrances (e.g., purchase orders, contracts) outstanding at year end are reported as reservations of fund balances and do not constitute expenditures or liabilities.

K. Memorandum Only - Total Columns

Total columns on the general purpose financial statements are captioned as "memorandum only" because they do not represent consolidated financial information and are presented only to facilitate financial analysis. The columns do not present information that reflects financial position, results of operations, or cash flows in accordance with generally accepted accounting principles. Interfund eliminations have not been made in the aggregation of this data.

L. Non-expendable Trust Funds

No statement of revenue, expenses and changes in fund equity or statement of cash flows is presented for the non-expendable trust funds as there was no activity in fiscal year 1999.

2. Departures from Generally Accepted Accounting Principles

The significant departures of the Town's financial statements from generally accepted accounting principles are as follows:

- General fixed asset acquisitions (non-enterprise) are not capitalized in a general fixed asset group of accounts.
- The Town does not report the total accumulated employee compensated absences as a liability.
- The Town established a separate Ice Arena Enterprise Fund; however, certain assets, such as inventories of supplies and fixed assets, and certain expenses, such as depreciation, have not been recorded as required by generally accepted accounting principles for enterprise funds. In addition, the Town has established separate Water and Sewer Enterprise Funds; however, certain assets, such as inventory and capital projects, and certain liabilities, such as accrued compensated absences, have not been recorded in accordance with generally accepted accounting principles. The amount by which the actual value for these accounts varies from amounts recorded cannot be determined at this time.

3. Stewardship, Compliance and Accountability

A. Budgetary Information

At the annual town meeting, the Finance Committee presents an operating and capital budget for the proposed expenditures of the fiscal year commencing the following July 1. The budget, as enacted by town meet-

ing, establishes the legal level of control and specifies that certain appropriations are to be funded by particular revenues. The original budget is amended during the fiscal year at special town meetings as required by changing conditions. In cases of extraordinary or unforeseen expenses, the Finance Committee is empowered to transfer funds from the Reserve Fund (a contingency appropriation) to a departmental appropriation. "Extraordinary" includes expenses which are not in the usual line, or are great or exceptional. "Unforeseen" includes expenses which are not foreseen as of the time of the annual meeting when appropriations are voted.

Departments are limited to the line items as voted. Certain items may exceed the line item budget as approved if it is for an emergency and for the safety of the general public. These items are limited by the Massachusetts General Laws and must be raised in the next year's tax rate.

Formal budgetary integration is employed as a management control device during the year for the General Fund. Effective budgetary control is achieved for all other funds through provisions of the Massachusetts General Laws.

At year end, appropriation balances lapse, except for certain unexpended capital items and encumbrances which will be honored during the subsequent year.

B. Budgetary Basis

The General Fund appropriation appearing on page 5 of the financial statements represents the final amended budget of the Town and was authorized as follows:

1999 annual appropriations	\$ 122,363,549
1999 supplemental appropriations	217,611
Statutory County and State assessments	1,739,084
Other uses legally required to be raised	<u>312,412</u>
Total Appropriation	\$ <u>124,632,656</u>

C. Budget/GAAP Reconciliation

The budgetary data for the general fund is based upon accounting principles that differ from generally accepted accounting principles (GAAP). Therefore, in addition to the GAAP basis financial statements, the results of operations of the general fund are presented in accordance with budgetary accounting principles to provide a meaningful comparison with budgetary data.

The following is a summary of adjustments made to the actual revenues and other sources, and expenditures and other uses, to conform to the budgetary basis of accounting.

<u>General Fund</u>	<u>Revenues and Other Financing Sources</u>	<u>Expenditures and Other Financing Uses</u>
Revenues/Expenditures (GAAP basis)	\$ 122,189,913	\$ 123,060,987
Other financing sources/uses (GAAP basis)	1,202,734	26,498
Adjust tax revenue to accrual basis	(925,053)	-
Reverse beginning of year appropriation carryforwards from expenditures	-	(710,734)
Add end of year appropriation carryforwards to expenditures	-	640,398
Adjustment for prior year GAAP accrual	-	245,776
Adjust State assessments to budgetary basis	-	129,189
Recognize use of fund balance as funding source/use	<u>1,898,682</u>	<u>254,624</u>
Budgetary basis	\$ <u>124,366,276</u>	\$ <u>123,646,738</u>

D. Deficit Fund Equity

The following funds had deficits as of June 30, 1999:

Capital Project Funds:	
Various special articles	\$ 1,976,662
Wittenborg property	160,360
Framingham high school	48,236
Internal Service Fund:	
Self insurance fund	1,332,987

The deficits in these funds will be eliminated through future bond proceeds and transfers from other funds.

4. Cash and Cash Equivalents

The carrying amount of the Town's and Retirement System's deposits with financial institutions at June 30, 1999 and December 31, 1998 was \$ 27,828,071 and \$ 2,553,943, respectively. The bank balances, which do not include reconciling items such as deposits in transit and outstanding checks, are categorized as follows:

	Town Deposits <u>June 30, 1999</u>	Retirement System Deposits <u>December 31, 1998</u>
Amount insured by the FDIC and DIFM, or collateralized with securities held by the Town in its name	\$ 383,391	\$ 100,000
Amount collateralized with securities held by the pledging financial institution's trust department in the Town's name	2,063,000	-
Uncollateralized	2,192,916	359,514
State investment pool	<u>23,903,201</u>	<u>2,540,625</u>
Total Bank Balance	\$ <u>28,542,508</u>	\$ <u>3,000,139</u>

5. Investments

The Town's investments are categorized into the following three categories of credit risk:

- (1) Insured or registered, or securities held by the Town or its agent in the Town's name.
- (2) Uninsured and unregistered, with securities held by the counterparty's trust department or agent in the Town's name.
- (3) Uninsured and unregistered, with securities held by the counterparty, or by its trust department or agent but not in the Town's name.

At year end, the government's investment balances were as follows (in thousands):

	Category			Market Value
	<u>1</u>	<u>2</u>	<u>3</u>	
Common stock	\$ 5	\$ -	\$ -	\$ 5
Government obligations	-	-	565	565
Equities	-	-	1,004	1,004
Investments not subject to categorization:				
Mutual funds				<u>593</u>
Total Investments				\$ <u>2,167</u>

At December 31, 1998, the Retirement System's investment balances were as follows (in thousands):

	Category			Market Value
	<u>1</u>	<u>2</u>	<u>3</u>	
Fixed income	\$ -	\$ -	\$ 1	\$ 1
Investments not subject to categorization:				
Mutual funds				78,899
State investment pool/ PRIT Capital Fund				<u>45,280</u>
Total Investments				\$ <u>124,180</u>

6. Taxes Receivable

Real and personal property taxes are based on assessed values as of the previous January 1 and are normally due on a quarterly basis. By law, all taxable property must be assessed at 100% of fair cash value. Taxes due and unpaid after the due dates are subject to interest and penalties. The Town has an ultimate right to foreclose on property for unpaid taxes.

The following is a summary of the property tax calendar used for the 1999 tax levies:

June 29, 1998:

The first quarter real estate tax bills are mailed to taxpayers. This bill is approximately equal to one quarter of the prior year's tax levy.

August 3, 1998:

The first quarter preliminary tax bills are due. All bills paid after this date are charged interest at the rate of 14% from the due date.

September 30, 1998:

The second quarter real estate tax bills are mailed to taxpayers. This bill is approximately equal to one quarter of the prior year's tax levy.

November 2, 1998:

The second quarter preliminary tax bills are due. All bills paid after this date are charged interest at the rate of 14% from the due date.

December 27, 1998:

The third quarter real estate and personal property tax bills are mailed to taxpayers. This bill is approximately equal to one quarter of the current tax levy.

February 2, 1999:

The third quarter tax bills are due. All bills paid after this date are charged interest at the rate of 14% from the due date.

March 30, 1999:

The fourth quarter real estate and personal property tax bills are mailed to taxpayers. This bill is equal to the remainder of the current tax levy.

May 3, 1999:

The fourth quarter tax bills are due. All bills paid after this date are charged interest at the rate of 14% from the due date.

Fourteen days after the due date for the fourth quarter tax bill for real estate taxes, a demand notice may be sent to the delinquent taxpayer. Fourteen days after the demand notice has been sent, the tax collector may proceed to file a lien against the delinquent taxpayers' property.

Taxes receivable at June 30, 1999 consist of the following (in thousands):

Real Estate		
1999	\$ 1,099	
1998	143	
1997	141	
Prior	<u>183</u>	
		1,566
Personal Property		
1999	125	
1998	133	
1997	60	
Prior	<u>118</u>	
		<u>436</u>
Total		\$ <u>2,002</u>

7. Utility Receivables

The utility receivable balance is presented net of an allowance for uncollectible accounts of \$ 187,613.

8. Due From Other Governments

This balance represents amounts requested from Federal and State agencies as reimbursement for expenditures incurred in fiscal year 1999.

9. Property, Plant and Equipment

The following is a summary of the changes in proprietary fund type property, plant and equipment for fiscal year 1999 (in thousands):

	<u>Balance June 1998</u>	<u>Additions</u>	<u>Retire.</u>	<u>Balance June 1999</u>	<u>Accum. Depreci. June 1999</u>	<u>Net Book Value</u>
<u>Sewer</u>						
Land	\$ 135	\$ -	\$ -	\$ 135	\$ -	\$ 135
Buildings	2,813	273	(122)	2,964	(1,596)	1,368
Infrastructure	18,189	1,566	(239)	19,516	(10,659)	8,857
Equipment	395	-	-	395	(228)	167
Vehicles	718	65	(40)	743	(453)	290
Construction in progress	<u>107</u>	<u>1,979</u>	<u>(-)</u>	<u>2,086</u>	<u>(-)</u>	<u>2,086</u>
Total Sewer	22,357	3,883	(401)	25,839	(12,936)	12,903
<u>Water</u>						
Land	98	-	-	98	-	98
Buildings	104	-	-	104	(78)	26
Infrastructure	29,855	652	(58)	30,449	(10,524)	19,925
Equipment	244	-	-	244	(219)	25
Vehicles	572	62	(60)	574	(373)	201
Construction in progress	<u>-</u>	<u>1,425</u>	<u>(-)</u>	<u>1,425</u>	<u>(-)</u>	<u>1,425</u>
Total Water	<u>30,873</u>	<u>2,139</u>	<u>(118)</u>	<u>32,894</u>	<u>(11,194)</u>	<u>21,700</u>
Total Enterprise Funds	<u>\$ 53,230</u>	<u>\$ 6,022</u>	<u>\$ (519)</u>	<u>\$ 58,733</u>	<u>\$ (24,130)</u>	<u>\$ 34,603</u>

10. Amount to be Provided by Commonwealth

The balance in this account represents the portion of bonds payable expected to be reimbursed through the Commonwealth's School Building Assistance Bureau (SBAB). SBAB reimburses the Town for 90 percent of certain qualifying bond issues. These reimbursements are subject to annual appropriations by the State legislature.

11. Warrants and Accounts Payable

Warrants payable represent 1999 expenditures paid by July 15, 1999 as permitted by law. Accounts payable represent additional 1999 expenditures paid after July 15, 1999.

12. Deferred Revenue

The balance of the General Fund deferred revenues account is equal to the total of all June 30, 1999 receivable balances, except real and personal property taxes that are accrued for subsequent 60 day collections. The Town's statutory "allowance for abatements and exemptions" (overlay) account, with a balance of \$ 1,934,325 has been reclassified to deferred revenue for reporting purposes.

13. Other Liabilities

This balance consists primarily of unclaimed items (tailings).

14. Tax Refund Reserve

This balance consists of refunds issued during July and August 1999 and an estimate of refunds due to property taxpayers for potential abatements. These cases are currently pending with the State Appellate Tax Board.

15. Long-Term Debt

A. General Obligation Bonds

The Town issues general obligation bonds to provide funds for the acquisition and construction of major capital facilities. General obligation bonds have been issued for both general government and proprietary activities. The bonds reported in the proprietary funds are expected to be repaid from proprietary fund revenues. Payment is not limited to a particular revenue source. However, as previously noted, the Town's ability to raise property taxes is restricted by the enactment of legislation known as "Proposition 2 1/2". General obligation bonds currently outstanding are as follows:

	Serial Maturities Through	Interest Rate(s)%	Amount Outstanding as of June 30, 1999
<u>Governmental Funds:</u>			
General obligation	6/05	4.33	\$ 1,160,000
General obligation	9/05	4.35	1,040,000
General obligation	3/15	4.94	12,820,000
General obligation	7/15	4.43	4,375,000
General obligation	10/15	5.90	12,760,000
General obligation	2/19	4.34	<u>20,043,000</u>
Total Governmental			52,198,000
<u>Proprietary Funds:</u>			
Sewer bond (MWPAT)	6/01	2.54	361,769
Water bond (MWRA)	8/01	0.00	601,657
Sewer bond (MWRA)	2/02	0.00	87,750
Sewer bond	9/04	4.35	<u>460,000</u>
Total Proprietary			<u>1,511,176</u>
Total All Debt			<u>\$ 53,709,176</u>

B. State Revolving Loans

The Massachusetts Water Resource Authority (MWRA) sponsors a no interest loan program for use by Massachusetts communities to improve their water and sewer systems.

The U.S. Environmental Protection Agency sponsors a low interest rate loan program. In Massachusetts, the loans are administered by the Massachusetts Water Pollution Abatement Trust (MWPAT) and are used by local communities to improve their sewer systems.

C. Future Debt Service

The annual principal and interest payments to retire all general obligation long-term debt outstanding as of June 30, 1999 are as follows:

<u>Governmental</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2000	\$ 3,883,000	\$ 2,509,069	\$ 6,392,069
2001	3,810,000	2,322,503	6,132,503
2002	3,710,000	2,152,966	5,862,966
2003	3,725,000	1,978,024	5,703,024
2004	3,750,000	1,801,574	5,551,574
Thereafter	<u>33,320,000</u>	<u>10,620,426</u>	<u>43,940,426</u>
Total	\$ <u>52,198,000</u>	\$ <u>21,384,562</u>	\$ <u>73,582,562</u>
<u>Proprietary</u>			
2000	\$ 274,578	\$ 30,615	\$ 305,193
2001	275,294	26,767	302,061
2002	271,060	22,846	293,906
2003	242,627	18,851	261,478
2004	93,084	14,717	107,801
Thereafter	<u>354,533</u>	<u>58,774</u>	<u>413,307</u>
Total	\$ <u>1,511,176</u>	\$ <u>172,570</u>	\$ <u>1,683,746</u>

D. Bond Authorizations

Long-term debt authorizations which have not been issued or rescinded as of June 30, 1999 are as follows:

<u>Purpose</u>	<u>Amount</u>
Sewer	\$ 20,000
School	109,000
Main library repair	500
Woodrow Wilson	331

(continued)

(continued)	<u>Purpose</u>	<u>Amount</u>
	Cameron School	17,900,000
	Rubbish packer	30
	Kennel repair	177,600
	Fire alarm pickup truck	86
	Conservation land	422,000
	Roof beams	95,000
	Danforth Museum	300,000
	Framingham High School	125,000
	Fire alarm upgrade	80,000
	Call record system	39,049
	Sidewalk repair	40,000
	Rubbish truck	144,404
	Pay loader	137,400
	Pumper truck	317,100
	Radio system	50,500
	Computer equipment - Town	59,760
	Crew cab dump truck	51,100
	Computer equipment - PS	30,620
	Rest room - Memorial Building	25,000
	Crew cab pickup	34,200
	Tractor/plow	55,000
	Bowditch light	54,750
	FWD vehicle	20,000
	35K GVW dump	75,590
	FWD vehicle	19,500
	Gang mower	70,000
	Long lighting	25,000
	Downtown common	40,000
	Carpet - main library	102,585
	Windows - Concord Street	150,000
	15K GVW dump	49,124
	Sidewalk tractor/sander	69,000
	3/4 ton 4wd pickup	30,400
	Upgrade EMS	22,500
	Total	<u>\$ 20,942,129</u>

E. Overlapping Debt

The Town's proportionate share of debt of other governmental units which provide services within the Town's boundaries and which must be borne by the resources of the Town is summarized below (in thousands, unaudited):

<u>Related Entity</u>	<u>Principal</u>	<u>Town's Estimated Share</u>
MBTA	\$ 144,579	1.102% \$ 1,593
MWRA - Water	785,460	3.756% 29,502
MWRA - Sewer	3,126,612	2.941% <u>91,954</u>
Total		<u>\$ 123,049</u>

F. Legal Debt Margin

The Town is subject to the General Laws of the Commonwealth of Massachusetts which limits the amount of bonded debt the Town may have outstanding to 5 percent of the valuation of taxable property as last equalized by the Commonwealth's Department of Revenue. The following is a computation of the legal debt margin as of June 30, 1999 (in thousands of dollars):

Equalized valuation - January 1, 1998		\$ <u>4,233,537</u>
Debt limit - 5% of equalized valuation		\$ 211,677
Total debt outstanding	53,709	
Less debt exempt from limit	(<u>22,562</u>)	(<u>31,147</u>)
Debt subject to limit		180,530
Bonds authorized and unissued	20,942	
Less outside limit	(<u>20,942</u>)	<u>-</u>
Legal Debt Margin		\$ <u>180,530</u>

G. Changes in General Long-Term Liabilities

During the year ended June 30, 1999, the following changes occurred in liabilities reported in the general long-term debt account group (in thousands):

	Balance July 1, 1998	Additions	Reductions	Balance June 30, 1999
General obligation debt	\$ 35,155	\$ 20,043	\$ (3,000)	\$ 52,198
Capital lease obligation	<u>249</u>	<u>39</u>	(<u>127</u>)	<u>161</u>
Total	\$ <u>35,404</u>	\$ <u>20,082</u>	\$ (<u>3,127</u>)	\$ <u>52,359</u>

16. Capital Lease Obligations

The Town is the lessee of certain equipment under capital leases expiring in various years through 2003. Future minimum lease payments under the capital leases consisted of the following as of June 30, 1999:

2000	\$ 75,255
2001	45,328
2002	39,158
2003	<u>14,100</u>
Total minimum lease payments	173,841
Less amount representing interest	(<u>12,709</u>)
Present Value of Minimum Lease Payments	\$ <u>161,132</u>

17. Contributed Capital

Contributed capital consists of funding provided to proprietary funds for facility construction from Federal, State and municipal sources. Changes in contributed capital for the year ended June 30, 1999 were as follows (in thousands):

	<u>Balance July 1, 1998</u>	<u>Adjust. to Begin. Bal.</u>	<u>Additions</u>	<u>Deprec. and Disposals</u>	<u>Balance June 30, 1999</u>
Enterprise Funds:					
Water	\$ 20,129	\$ (1,817)	\$ 624	\$ (388)	\$ 18,548
Sewer	<u>10,802</u>	<u>(2,868)</u>	<u>926</u>	<u>(357)</u>	<u>8,503</u>
Total	\$ <u>30,931</u>	\$ <u>(4,685)</u>	\$ <u>1,550</u>	\$ <u>(745)</u>	\$ <u>27,051</u>

The beginning balance in contributed capital has been restated to correct for prior year fixed asset additions incorrectly charged to retained earnings.

18. Reserves of Fund Equity

The Town has established "reserves" of fund equity to segregate fund balances which are either not available for expenditure in the future or are legally set aside for a specific future use.

The Town reported the following types of reserves at June 30, 1999:

Reserved for Encumbrances - An account used to segregate that portion of fund balance committed for expenditure of financial resources upon vendor performance.

Reserved for Expenditures - Represents the amount of fund balance appropriated to be used for expenditures in the subsequent year budget.

Reserved for Endowments - Represents the principal of the nonexpendable trust fund investments. The balance cannot be spent for any purpose; however, it may be invested and the earnings may be spent.

19. General Fund Undesignated Fund Balance

The undesignated general fund balance reported on the balance sheet is stated in accordance with generally accepted accounting principles (GAAP), which differs in certain respects from the Massachusetts Uniform Municipal Accounting System (UMAS). The following paragraphs summarize the major differences.

The Massachusetts State Legislation allowed municipalities to defer funding for a portion of the 1992 and 1993 teachers summer pay to future years. This must be funded within a 15 year period, beginning in 1997.

Massachusetts general laws include provisions to allow municipalities to over-expend certain appropriations if they are incurred in an emergency situation or are assessed by the State. All such overexpenditures, however, must be funded in the subsequent year's tax rate.

Massachusetts General Laws require that non-property tax revenue budget shortfalls, net of appropriation turnbacks, be funded in the subsequent year. The same treatment is also applied to the excess of actual property tax abatements and exemptions over the provision for abatements and exemptions (overlay).

The accompanying financial statements include an estimate for future potential tax refunds, which is not recognized under UMAS.

The following summarizes the specific differences between GAAP basis and statutory basis of reporting the general fund undesignated fund balance:

GAAP basis balance	\$ 693,830
Teacher pay deferral	2,387,494
Tax refund estimate	802,978
State charges under assessed	144,133
Overlay deficit	<u>9,214</u>
Statutory (UMAS) Balance	\$ <u>4,037,649</u>

20. Beginning Fund Balance Restatement

The beginning (July 1, 1998) fund balances of the Town have been restated as follows:

	Expend. <u>Trust</u>	Nonex. <u>Trust</u>	<u>Sewer</u>	<u>Water</u>
As previously reported	\$ 6,573,611	\$ 103,855	\$ 5,817,727	\$ 4,545,778
To correct for capital costs omitted from fixed assets	-	-	-	534,896
To correct for fixed assets included as contributed capital in error	-	-	2,868,464	1,817,376
To reclass prior year receipts	(<u>283,726</u>)	<u>283,726</u>	<u>-</u>	<u>-</u>
As restated	\$ <u>6,289,885</u>	\$ <u>387,581</u>	\$ <u>8,686,191</u>	\$ <u>6,898,050</u>

21. Segment Information for Enterprise Funds

The Town maintains enterprise funds which provide water, sewer and ice arena services. Segment information for the year ended June 30, 1999 follows (in thousands):

	<u>Ice Arena</u>	<u>Sewer Fund</u>	<u>Water Fund</u>	<u>Total</u>
Operating revenues	\$ 327	\$ 9,772	\$ 5,460	\$ 15,559
Depreciation expense	-	513	570	1,083
Operating income (loss)	(16)	(333)	(84)	(433)
Net income (loss)	1	1,616	(228)	1,389
Depreciation on assets acquired with contri- buted capital	-	357	386	743
Increase (decrease) in retained earnings	1	1,973	157	2,131
Fixed asset additions	-	3,883	2,139	6,022
Total assets	63	20,281	26,410	46,754
Long-term obligations	-	909	602	1,511
Total equity	60	19,162	25,603	44,825

22. Subsequent Events

Subsequent Budget Authorization

The financial statements for the Town as of June 30, 1999 do not reflect the fiscal 2000 annual budget authorized in April 1999. The amount authorized in April (all funds) totaled \$ 147,789,924.

23. Commitments and Contingencies

Outstanding Lawsuits - There are several pending lawsuits in which the Town is involved. The Town's management is of the opinion that the potential future settlement of such claims would not materially affect its financial statements taken as a whole.

Grants - Amounts received or receivable from grantor agencies are subject to audit and adjustment by grantor agencies, principally the federal government. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount of expenditures which may be disallowed by the grantor cannot be determined at this time, although the Town expects such amounts, if any, to be immaterial.

EPA Underground Storage Tank Removal - In 1998, the Town was notified by the Department of Environmental Protection that there may be petroleum contamination resulting from the removal of underground fuel dispensing storage tanks. The Town engaged a Licensed Site Professional (LSP) to evaluate the potential contamination. The extent of contamination and related cleanup costs are estimated to be \$ 1.4 million. In April 1998, the Town authorized borrowings of \$ 1.4 million, and in February 1999 borrowed \$ 1.4 million. The remaining liability is estimated to be \$ 1,218,805, which represents the total estimated cost less expenditures incurred of \$ 181,195.

24. Post-Retirement Health Care and Life Insurance Benefits

The Town's employee contracts provide for health care and life insurance benefits to retirees, their dependent, or their survivors. These benefits are provided through the Town's group plans. The cost of these benefits are included in the total cost of benefits for both active and retired employees. The number of participants currently eligible to receive benefits, and cost of benefits for retirees, their dependents, or their survivors for the year ended June 30, 1999 was not available.

25. Contributory Retirement System

A. Summary of Significant Accounting Policies

Basis of Accounting - Contributory retirement system financial statements are prepared using the accrual basis of accounting. Plan member contributions are recognized in the period in which the contributions are due. Employer contributions are recognized when due and the employer has made a formal commitment to provide the contributions. Benefits and refunds are recognized when due and payable in accordance with the terms of the plan.

Method Used to Value Investments - Investments are reported at fair value. Short-term investments are reported at cost, which approximates fair value.

B. Plan Description and Contribution Information

Substantially all employees of the Town (except teachers and administrators under contract employed by the School Department) are members of the Framingham Contributory Retirement System (FCRS), a cost sharing, multiple employer PERS. Eligible employees must participate in the FCRS. The pension plan provides pension benefits, deferred allowances, and death and disability benefits. Chapter 32 of the Massachusetts General Laws establishes the authority of the FCRS Retirement Board. Chapter 32 also establishes contribution percentages and benefits paid. The FCRS Retirement Board does not have the authority to amend benefit provisions.

Membership of each plan consisted of the following at January 1, 1998, the date of the latest actuarial valuation:

Retirees and beneficiaries receiving benefits	775
Terminated plan members entitled to but not yet receiving benefits	81
Active plan members	<u>1,037</u>
Total	<u>1,893</u>

Employee contribution percentages are specified in Chapter 32 of the Massachusetts General Laws. The percentage is determined by the participant's date of entry into the system. All employees hired after January 1, 1979 contribute an additional 2% on all gross regular earnings over the rate of \$ 30,000 per year. The percentages are as follows:

Before January 1, 1975	5%
January 1, 1975 - December 31, 1983	7%
January 1, 1984 - June 30, 1996	8%
Beginning July 1, 1996	9%

Employers are required to contribute at actuarially determined rates as accepted by the Public Employee Retirement Administration Commission (PERAC).

C. Teachers

As required by State statutes, teachers of the Town are covered by the Massachusetts Teachers Retirement System (MTRS). The MTRS is funded by contributions from covered employees and the Commonwealth of Massachusetts. The Town is not required to contribute.

All persons employed on at least a half-time basis, who are covered under a contractual agreement requiring certification by the Board of Education are eligible, and must participate in the MTRS.

Based on the Commonwealth of Massachusetts' retirement laws, employees covered by the pension plan must contribute a percentage of gross earnings into the pension fund. The percentage is determined by the participants date of entry into the system and gross earnings, up to \$ 30,000, as follows:

Before January 1, 1975	5%
January 1, 1975 - December 31, 1983	7%
January 1, 1984 - June 30, 1996	8%
Beginning July 1, 1996	9%

Effective January 1, 1990, all participants hired after January 1, 1979, must pay an additional 2% of salary in excess of \$ 30,000. The Town's current year covered payroll for teachers was \$ 35,010,250.

26. Self Insurance

The Town self insures against claims for most employee health coverage. Annual estimated requirements for claims are provided in the Town's annual operating budget.

The Town contracts with an insurance carrier for excess liability coverage and an insurance consultant for claims processing. Under the terms of its insurance coverage, the Town is liable for up to \$ 90,000 per incident, with a maximum lifetime coverage of \$ 2,000,000. The claims liability represents an estimate of claims incurred but unpaid at year end, based on past historical costs and claims paid subsequent to year end.

Changes in the aggregate liability for claims for the year ended June 30, 1999 are as follows:

Claims liability, July 1, 1998	\$ 4,399,073
Claims incurred/recognized in fiscal year 1999	14,014,395
Claims paid in fiscal year 1999	<u>(14,370,314)</u>
Claims liability, June 30, 1999	\$ <u>4,043,154</u>

27. Risk Management

The government is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; and natural disasters for which the government carries commercial insurance. There were no significant reductions in insurance coverage from the previous year and have been no material settlements in excess of coverage in any of the past three fiscal years.

TOWN OF FRAMINGHAM, MASSACHUSETTS

SUPPLEMENTARY SCHEDULE

Combining Balance Sheet
All Enterprise Funds

June 30, 1999

<u>ASSETS</u>	<u>Ice Arena</u>	<u>Sewer</u>	<u>Water</u>	<u>Total</u>
Cash and cash equivalents	\$ 62,923	\$ 2,087,975	\$ 2,234,434	\$ 4,385,332
Receivables:				
Tax liens and foreclosures	-	450,004	250,480	700,484
Utility, net	-	3,760,828	2,225,576	5,986,404
Fixed assets, net	-	12,903,575	21,699,753	34,603,328
Construction in progress	-	1,078,422	-	1,078,422
 Total Assets	 \$ <u>62,923</u>	 \$ <u>20,280,804</u>	 \$ <u>26,410,243</u>	 \$ <u>46,753,970</u>
 <u>LIABILITIES AND FUND EQUITY</u>				
Liabilities:				
Warrants payable	\$ 1,113	\$ 148,161	\$ 50,333	\$ 199,607
Accrued payroll	1,606	8,554	11,485	21,645
Refunds payable	-	1,410	178,557	179,967
Deposits held	-	51,346	(34,696)	16,650
Bonds payable	-	909,519	601,657	1,511,176
Total Liabilities	2,719	1,118,990	807,336	1,929,045
Fund Equity:				
Contributed capital	-	8,502,941	18,547,595	27,050,536
Retained earnings	30,204	9,220,545	5,356,311	14,607,060
Reserved for encumbrances	-	1,113,328	1,361,924	2,475,252
Reserved for expenditures	30,000	325,000	337,077	692,077
Total Fund Equity	60,204	19,161,814	25,602,907	44,824,925
 Total Liabilities and Fund Equity	 \$ <u>62,923</u>	 \$ <u>20,280,804</u>	 \$ <u>26,410,243</u>	 \$ <u>46,753,970</u>

See Independent Auditors' Report.

TOWN OF FRAMINGHAM, MASSACHUSETTS

SUPPLEMENTARY SCHEDULE

Statement of Revenues, Expenses and
Changes in Retained Earnings - All Enterprise Funds

For the Year Ended June 30, 1999

	<u>Ice Arena</u>	<u>Sewer</u>	<u>Water</u>	<u>Total</u>
Operating Revenues:				
User charges	\$ 327,264	\$ 9,771,368	\$ 5,459,877	\$ 15,558,509
Total Operating Revenue	327,264	9,771,368	5,459,877	15,558,509
Operating Expenses:				
Salary and wages	164,060	762,618	1,105,983	2,032,661
Operating expenses	99,990	554,835	428,038	1,082,863
Materials and supplies	-	127,397	7,937	135,334
Depreciation	-	513,441	569,572	1,083,013
Intergovernmental	-	7,656,149	2,805,762	10,461,911
Indirect costs	78,797	490,086	626,743	1,195,626
Total Operating Expenses	342,847	10,104,526	5,544,035	15,991,408
Operating income/(loss)	(15,583)	(333,158)	(84,158)	(432,899)
Nonoperating Income (Expense):				
Investment income	16,951	62,742	-	79,693
Grant revenue	-	708,600	-	708,600
Contributions	-	1,364,100	-	1,364,100
Interest expenses	-	(141,211)	(144,679)	(285,890)
Loss on disposition of fixed assets	-	(44,988)	-	(44,988)
Total Nonoperating Income (Expense)	16,951	1,949,243	(144,679)	1,821,515
Net income (loss)	1,368	1,616,085	(228,837)	1,388,616
Depreciation on assets required with contributed capital	-	356,597	386,099	742,696
Increase (decrease) in retained earnings/ fund equity	1,368	1,972,682	157,262	2,131,312
Retained Earnings, beginning of year, restated	58,836	8,686,191	6,898,050	15,643,077
Retained Earnings, end of year	\$ 60,204	\$ 10,658,873	\$ 7,055,312	\$ 17,774,389

See Independent Auditors' Report.

Year 2000 Supplementary Information

The Town of Framingham is currently addressing year 2000 issues relating to its computer systems and other electronic equipment. The year 2000 issue refers to the fact that many computer programs use only the last two digits to refer to a year. Therefore, both 1900 and 2000 would be referred to as "00". Computer programs have to be adjusted to recognize the difference between those two years or the programs will fail or create errors. Also, some programs may not be able to recognize that 2000 is a leap year. Further, the year 2000 issue could affect electronic equipment (such as environmental systems, elevators and vehicles) containing computer chips that have date recognition features.

The Town of Framingham has completed an inventory of computer systems and other electronic equipment that may be affected by the year 2000 issue and that are necessary to conducting Town operations. The Town has identified the following systems requiring year 2000 remediation:

<u>Systems</u>	<u>Awareness (establish budget & project plan)</u>	<u>Assessment (identify system & component deficiencies)</u>	<u>Remediation (make changes to systems & equipment)</u>	<u>Validation & Testing</u>	<u>Contracted Amounts as of 6/30/99</u>
Financial reporting, assessors, payroll and employee benefit systems	C	C	C	C	\$ -
Treasurer/collector system	C	C	C	P	
911 police and fire emergency reporting system	C	C	C	C	\$ -
Traffic control system	C	C	C	C	\$ -
Utility billing and operating system	C	C	C	C	\$ -
Other electronic equipment identified as necessary to conducting Town operations	C	C	C	C	\$ -
C = Complete P = In Process A = Needs to be Addressed					

Because of the unprecedented nature of the year 2000 issue, its effects and the success of related remediation efforts will not be fully determinable until the year 2000 and thereafter. Management cannot assure that the Town is or will be year 2000 ready, that the Town's remediation efforts will be successful in whole or in part, or that parties with whom the Town does business will be year 2000 ready.

See Independent Auditors' Report.

**TOWN OF FRAMINGHAM, MASSACHUSETTS
CONTRIBUTORY RETIREMENT SYSTEM**

Schedules of Funding Progress and Employer Contributions

Schedule of Funding Progress (dollar amounts in thousands):

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) - Entry Age (b)	Unfunded AAL (UAAL) (b - a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percent- age of Covered Payroll [(b - a)/c]
1/01/91	\$ 40,645	\$ 92,433	\$ 51,788	44.0%	\$ 27,351	189%
1/01/95	\$ 62,340	\$ 122,220	\$ 59,880	51.0%	\$ 29,168	205%
1/01/98	\$ 105,941	\$ 154,783	\$ 48,842	68.0%	\$ 33,858	144%

Information is only provided for those years in which an actuarial valuation or actuarial update was performed. Information prior to 1991 is not available.

Schedule of Employer Contributions (Town share only):

Year Ended June 30	Annual Required Contribution	Percentage Contributed
1992	\$ 4,869,897	100%
1993	5,378,958	100%
1994	5,663,861	100%
1995	6,805,493	100%
1996	6,195,869	100%
1997	6,449,439	100%
1998	6,655,700	100%
1999	6,945,980	100%

The required information presented above was determined as part of the actuarial valuations at the dates indicated. Additional information as of the latest actuarial valuation follows.

Valuation date January 1, 1998

Actuarial cost method Entry age, normal cost

Amortization method Normal cost plus 30 years, 4.5 increase for active liability; 15 years, 4.5% increase for retiree liability; 5.5 years for ERI liability

Remaining amortization period Active liability 33 years; retiree liability 13 years

Asset valuation method Fixed income securities and international investments at book value and all other investments at market value

Actuarial assumptions:

Investment rate of return* 8%

Projected salary increases* 6%

* Includes inflation at 4% - 5%

Cost of living adjustments 3% of \$ 12,000 per year, to be funded by the Town

See Independent Auditors' Report.